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U.S. Patent and Trademark Office; U.S. DEPARTMENT OF COMMERCE

REVOCATION OF POWER OF ATTORNEY WITH NEW POWER OF ATTORNEY AND CHANGE OF CORRESPONDENCE ADDRESS	Application Number	09/851,252
	Filing Date	May 9, 2001
	First Named Inventor	Couillard, B.
	Art Unit	2134
	Examiner Name	Jung, David
	Attorney Docket Number	35997-215055 (fmr. 47-14 US)

I hereby revoke all previous powers of attorney given in the above-identified application.

☐ A Power of Attorney is submitted herewith.

OR

☒ I hereby appoint the practitioners associated with the Customer Number: 26694

☒ Please change the correspondence address for the above-identified application to:

☒ The address associated with
Customer Number: 26694

OR

<input type="checkbox"/> Firm or Individual Name			
Address			
City			
Country	State	Zip	
Telephone	Fax		

I am the:

☐ Applicant/Inventor.

☒ Assignee of record of the entire interest. See 37 CFR 3.71.
Statement under 37 CFR 3.73(b) is enclosed. (Form PTO/SB/96)

SIGNATURE of Applicant or Assignee of Record

Signature			
Name	Kevin L. Hicks, General Counsel, SafeNet, Inc.		
Date	<u>Kevin L. Hicks</u>	Telephone	443-327-1262

NOTE: Signatures of all the inventors or assignees of record of the entire interest or their representative(s) are required. Submit multiple forms if more than one signature is required, see below*.

☒ *Total of 1 forms are submitted.



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STATEMENT UNDER 37 CFR 3.73(b)

Applicant/Patent Owner: Bruno Couillard

Application No./Patent No.: 09/851,252 Filed/Issue Date: May 9, 2001

Entitled: Biometrically Secured Memory IC

Safenet, Inc., a Corporation
(Name of Assignee) (Type of Assignee, e.g., corporation, partnership, university, government agency, etc.)

states that it is:

1. ☒ the assignee of the entire right, title, and interest; or
2. ☐ an assignee of less than the entire right, title and interest.
The extent (by percentage) of its ownership interest is _____ %
in the patent application/patent identified above by virtue of either:

A. ☐ An assignment from the inventor(s) of the patent application/patent identified above. The assignment was recorded in the United States Patent and Trademark Office at Reel _____, Frame _____, or for which a copy thereof is attached.

OR

B. ☒ A chain of title from the inventor(s), of the patent application/patent identified above, to the current assignee as shown below:

1. From: Bruno Couillard To: Chrysalis-ITS, Inc.
The document was recorded in the United States Patent and Trademark Office at
Reel 011805, Frame 0878, or for which a copy thereof is attached.
2. From: Chrysalis-ITS To: Rainbow-Chrysalis, Inc.
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.
3. From: Rainbow-Chrysalis, Inc. To: Safenet Canada, Inc.
The document was recorded in the United States Patent and Trademark Office at
Reel _____, Frame _____, or for which a copy thereof is attached.

☐ Additional documents in the chain of title are listed on a supplemental sheet.

☒ Copies of assignments or other documents in the chain of title are attached.
[NOTE: A separate copy (i.e., a true copy of the original assignment document(s)) must be submitted to Assignment Division in accordance with 37 CFR Part 3, if the assignment is to be recorded in the records of the USPTO. See MPEP 302.08]

The undersigned (whose title is supplied below) is authorized to act on behalf of the assignee.

Kavita B. Lepping
Signature

October 6, 2005
Date

Kavita B. Lepping
Printed or Typed Name

(202) 344-4000
Telephone Number

Authorized Signer for Assignee
Title



Ministry of
Internal Affairs and
National Security Services
CERTIFICATE
This is to certify that these articles
are effective on

Ministère des Services
aux consommateurs
et aux entreprises
CERTIFICAT
Ceci atteste que les présents statuts
entrent en vigueur le

Ontario Corporation Number
Numéro de la compagnie en Ontario

1577848

SEPTEMBER 05 SEPTEMBRE, 2003

Business Corporation Act / Loi sur les sociétés par actions

**ARTICLES OF AMALGAMATION
STATUTS DE FUSION**

Form 4
Business
Corporations
Act

Formula
numero 4
Loi sur les
compagnies

1. The name of the amalgamated corporation is: *Dénomination sociale de la compagnie issue de la fusion:*

[illegible]

2. The address of the registered office is: *Adresse du siège social:*

One Chrysalis Way

(Street & Number, or R.R. Number & if Multi-Office Building give Room No.)
(Rue et numéro, ou numéro de la R.R. et, s'il s'agit d'édifice à bureaux, numéro du bureau)

City of Ottawa

K	2	G	6	P	9
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(Name of Municipality or Post Office)
(Nom de la municipalité ou du bureau de poste)

(Postal Code/Code postal)

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3. Number (or minimum and maximum number) of directors is: *Nombre (ou nombres minimal et maximal) d'administrateurs:*

A minimum of one (1) and a maximum of ten (10).

4. The director(s) is/are: *Administrateur(s):*

First name, initials and surname <i>Prénom, initiales et nom de famille</i>	Address for service, giving Street & No. or R.R. No., Municipality and Postal Code <i>Domicile élu, y compris la rue et le numéro, le numéro de la R.R. ou le nom de la municipalité et le code postal</i>	Resident Canadian State Yes or No <i>Résident Canadien Oui/Non</i>
David Longbottom	128 Fourth Avenue, Ottawa, Ontario K1S 2L4	Yes
Shawn D. Abbott	305 Pinnacle Ridge Place, Calgary, Alberta T3E 6W3	Yes
Antonio J. Sanchez	9426 Residencia, Newport Beach, California, 92660	No

5 (A) The amalgamation agreement has been duly adopted by the shareholders of each of the amalgamating corporations as required by subsection 176 (4) of the Business Corporations Act on the date set out below.

2. (A) Les actionnaires de chaque compagnie qui fusionne ont dûment adopté la convention de fusion conformément au paragraphe 176 (4) de la Loi sur les compagnies à la date mentionnée ci-dessous.



Check
A or B

Cocher
A ou B

(B) The amalgamation has been approved by the directors of each amalgamating corporation by a resolution as required by section 177 of the Business Corporations Act on the date set out below.

(B) Les administrateurs de chaque compagnie qui fusionne ont approuvé la fusion par voie de résolution conformément à l'article 177 de la Loi sur les compagnies à la date mentionnée ci-dessous.



The articles of amalgamation in substance contain the provisions of the articles of incorporation of

Les statuts de fusion reprennent essentiellement les dispositions des statuts constitutifs de

and are more particularly set out in these articles.

et sont énoncés textuellement aux présents statuts.

Names of amalgamating corporations Dénomination sociale des compagnies qui fusionnent	Ontario Corporation Number Numéro de la compagnie en Ontario	Date of Adoption/Approval Date d'adoption ou d'approbation
Chrysalis-ITS Incorporated	1085116	September 5, 2003
RTI Acquisition Corp.	2030683	September 5, 2003

6. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.

Limites, s'il y a lieu, imposées aux activités commerciales 3. ou aux pouvoirs de la compagnie.

None.

7 The classes and any maximum number of shares that the corporation is authorized to issue:

Catégories et nombre maximal, s'il y a lieu, d'actions que la compagnie est autorisée à émettre:

The Corporation is authorized to issue an unlimited number of shares designated as common shares (the "Common Shares") and unlimited number of shares designated as redeemable preferred shares (the "Amalco Preferred Shares").

6 Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series:

4. *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions qui peut être émise en série.*

The attached Schedule C is incorporated into this form.

SCHEDULE "C"

The following are the rights, privileges, restrictions and conditions attaching to the Common Shares and to the Amalco Preferred Shares of Rainbow-Chrysalis Inc. ("Amalco").

1. Common Shares. The Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

1.1 Voting. The holders of the Common Shares shall be entitled to receive notice of and to attend any meetings of the shareholders of Amalco and, at any meeting of the shareholders of Amalco, shall be entitled to one vote in respect of each Common Share held.

1.2 Dividends. The holders of the Common Shares shall, in the absolute discretion of the directors, be entitled to receive and Amalco shall pay out of monies of Amalco properly applicable to the payment of dividends, those dividends as may be declared from time to time in respect of the Common Shares. Notwithstanding the foregoing, no dividend shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed by Amalco.

1.3 Capital Distribution. In the event of the liquidation, dissolution or winding-up of Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding-up its affairs (whether voluntary or involuntary), upon a reduction of capital or a redemption of Amalco Preferred Shares (any of which events are referred to as a "Capital Distribution"), and after the holders of the Amalco Preferred Shares have received payment of the amounts to which they are entitled in accordance with the rights, privileges, restrictions and conditions attaching to such shares, the holders of the Common Shares shall be entitled to receive equally on a per share basis, the amount paid up on their Common Shares, together with any declared but unpaid dividends. Thereafter, the holders of the Common Shares shall be entitled to share equally among themselves on a per share basis in any further distribution of the property or assets of Amalco. Notwithstanding the foregoing, no amount referred to herein shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed in full by Amalco pursuant hereto.

2. Definitions for Redemption Rights. Any terms with initial capital letters that are not defined herein shall have the meanings given to them in the business combination agreement to be dated on or about September 5, 2003 (the "Business Combination Agreement"), among Rainbow Technologies Inc. ("Parent"), RTI Acquisition Corp. ("Merger Sub"), Chrysalis-ITS Incorporated ("Chrysalis"), and Capital Alliance Ventures Inc. ("Shareholders' Representative"). Further, the following terms shall be defined as follows:

- (a) "Escrow Amount per Share" means a dollar amount equal to the Escrow Amount (if any) divided by the number of Amalco Preferred Shares as of the Closing Date; and
- (b) "Escrow Release Date" means the date which is 30 days after the one-year anniversary of the Closing Date.

3. Amalco Preferred Shares. The Amalco Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

3.1 Non-Voting. The holders of Amalco Preferred Shares shall not have any voting rights for the election of directors or for any other purpose and shall not be entitled to receive notice of, or to attend

any meetings of the shareholders of Amalco, except meetings at which holders of such class of shares are entitled to vote.

3.2 **Dividends.** The holders of the Amalco Preferred Shares shall not be entitled to receive dividends.

3.3 **Capital Distribution.** In the event of a Capital Distribution, the holders of Amalco Preferred Shares shall be entitled to receive the Redemption Consideration (defined below) apportioned among them based on the number of Amalco Shares held by each such holder and the redemption rights described below before any amount shall be paid or any property or assets of Amalco shall be distributed to the holders of the Common Shares. On payment of the amount so payable to them, the holders of the Amalco Preferred Shares shall not be entitled to share in any further distribution of the property or assets of Amalco.

3.4 **Amalco Preferred Share Redemption Rights.** Subject to Section 4.5 and Section 4.4, as of 4:30 p.m. (Ottawa time) on the effective date of the amalgamation (the "Redemption Date") forming Amalco (the "Time of Redemption"), Amalco shall redeem and cancel as of the Redemption Date all Amalco Preferred Shares then issued and outstanding for the following aggregate redemption consideration (the "Redemption Consideration"):

- (a) a cash payment in Canadian dollars in an amount equal to U.S.\$1.00 (converted into Canadian dollars as of the Closing Date) per Amalco Preferred Share, less the Escrow Amount per Share ("Amalco Cash Payment"); and
- (b) the right to receive a payment from the Escrow Fund, as set forth in paragraph 3.5(b) below.

Except as herein provided, no notice or other act or formality on the part of Amalco shall be required to redeem the Amalco Preferred Shares.

3.5 **Payment of Redemption Consideration.** Amalco shall pay the Redemption Consideration (less any tax required to be withheld by the Corporation as more fully described in paragraph 4.4 below) for the Amalco Preferred Shares being redeemed as follows:

- (c) on presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, by the delivery within two Business Days of such presentation and surrender of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares of an amount equal to the Amalco Cash Payment multiplied by the number of Amalco Preferred Shares held by each holder of Amalco Preferred Shares; and
- (d) on the Escrow Release Date Amalco shall, through the Escrow Agent, pay to the holders of Amalco Preferred Shares a portion of the Escrow Amount (if any) per Share then held by the Escrow Agent as of the Escrow Release Date (if any) by the delivery of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares, to be shared among such holders pro rata as determined as of the Closing by reference to the total amount of Redemption Consideration to which each holder is entitled as compared to the total amount of Redemption Consideration to which all holders are entitled.

4. Amendments to Business Combination Agreement. The references herein to the provisions of the Business Combination Agreement are to the provisions of the Business Combination Agreement in the form to be executed by the parties thereto without regard to any amendments to such agreement which may be made subsequent to the execution thereof by the parties. No amendment or other change to the Business Combination Agreement which have the effect of amending, altering or otherwise modifying the provisions of such agreement referred to herein shall be effective in respect of rights of the holders of the Amalco Preferred Shares as set forth above unless such amendments or other changes are approved by a resolution passed by a special majority of two thirds of the votes cast at a meeting of the holders of the Amalco Preferred Shares. At any such meeting, all the provisions of the articles of Amalco relating in any manner to general meetings or to the proceedings thereof, or to the rights of shareholders at or in connection therewith, shall apply *mutatis mutandis*. Notwithstanding the foregoing, the provisions of the Business Combination Agreement and these rights, restrictions, conditions and privileges effecting the calculation of Redemption Consideration shall only be modified by (i) the agreement of all parties to the Business Combination Agreement, and (ii) by a special resolution approved by at least 2/3 of the votes cast in respect of such special resolution by the former holders of Amalco Preferred Shares issued by Amalco upon the completion of the amalgamation of the Amalgamating Corporations.

4.1 Rights. From and after the Time of Redemption, the holders of the Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares. Each of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with these provisions, to a special account in any chartered bank or any trust company in Canada to be paid without interest to or to the order of the respective holders of such Amalco Preferred Shares upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made the Amalco Cash Payment deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the Amalco Cash Payment in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. Any interest earned on such deposit or deposits shall belong to Amalco.

4.2 Restriction on Redemption Rights. Without limiting in any way the obligations of Amalco or any of its affiliates under the Business Combination Agreement, nothing herein shall be deemed to permit or oblige Amalco to redeem or repurchase the Amalco Preferred Shares, if the redemption or repurchase would contravene any applicable statute, regulation or rule of law or equity.

4.3 Condition to Receipt of Escrow Amount and Appointment of Shareholders' Representative. Holders of Amalco Preferred Shares (each a "Shareholder") shall only be entitled to rights in the Escrow Fund as determined pursuant to the terms of an escrow agreement to be entered into between the Amalco, the Shareholders' Representative and the Escrow Agent (the "Escrow Agreement") and pursuant to the terms of the Business Combination Agreement. In order to give effect to the foregoing share condition, Capital Alliance Ventures Inc. is hereby appointed without any further action or requirement on the part of the shareholders as agent and true and lawful attorney for the holders of Amalco Preferred Shares (the "Shareholders' Representative") with full authority solely to execute and deliver the Escrow Agreement, to give and receive notices and communications thereunder, to authorize the disbursement of funds to Amalco from the Escrow Fund in satisfaction of claims by Parent or Amalco, to object to such disbursements, to agree to, negotiate and enter into settlements and compromises of, comply with orders of courts and awards of arbitrators with respect to such claims, to incur and be reimbursed for any reasonable expenses incurred by the Shareholders'

Representative in connection with the performance of its duties thereunder, which amounts shall be payable from the Escrow Fund (but only after any distributions therefrom to Amalco), reserve from any Escrow Funds to be released to the former holders Amalco Preferred Shares at the time of termination of the Escrow Agreement (if any) a reasonable estimate of the expenses necessary to resolve any amounts that are the subject of or could become the subject of a dispute, and to take all commercially reasonable actions necessary or appropriate in the judgment of the Shareholders' Representative for the accomplishment of the foregoing. All payments of any portion of the Escrow Amount shall be made in United States dollars and the Person receiving such payment shall bear the risk of any fluctuation in the exchange rate of the United States dollar against the Canadian dollar during the period from the Closing Date to the date of such payment.

Such condition of the Amalco Preferred Shares, and the agency and power of attorney created solely to give effect to such share condition, may not be changed without the prior written consent of Amalco, *provided, however*, that the Shareholders' Representative may be removed if holders of a two-thirds interest in the Escrow Fund agree to such removal and to the appointment of a substituted Shareholders' Representative. Any vacancy in the position of Shareholders' Representative, including further to the resignation of the Shareholders' Representative, may be filled by approval of the holders of a majority in interest of the Escrow Fund.

Notices or communications in respect of the Escrow Fund to or from the Shareholders' Representative shall constitute notice to or from the Shareholders.

The Shareholders' Representative shall not be liable for any act done or omitted to be done in performing its duties as agent, fiduciary, and attorney for the Shareholders while acting in good faith and in the exercise of commercially reasonable judgment.

A decision, act, consent or instruction of the Shareholders' Representative shall constitute a decision of each of the Shareholders and shall be final, binding and conclusive upon each such Shareholder, and the Escrow Agent, Parent and Amalco may rely upon any such decision, act, consent or instruction of the Shareholders' Representative as being the decision, act, consent or instruction of the Shareholders.

The Escrow Agent, Amalco and Parent are hereby relieved from any liability to any person for any acts done by them in good faith in accordance with such decision, act, consent or instruction of the Shareholders' Representative.

Each Shareholder shall, severally and not jointly, on a pro rata basis based on its proportionate ownership interests of the Escrow Fund, reimburse the Shareholders' Representative for any expense that may be incurred by the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct, including the reasonable legal costs and expenses associated with disputing any claim made by Parent or its affiliates pursuant to the provisions of the Escrow Agreement. In addition, the Shareholder shall not directly or indirectly make any claim against the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct. Notwithstanding any other provision of the foregoing or the Escrow Agreement, the Shareholder hereby acknowledges and agrees that the Shareholders' Representative shall be permitted to demand sufficient advance or security from the Shareholder (but not in an amount greater than the Shareholder's proportionate amount of the Escrow Fund) for estimated expenses, if any, associated with taking any action to dispute any claim made by Amalco against the Escrow Fund held by the Escrow Agent pursuant to

the terms of the Escrow Agreement. Such advance or security demands shall be in writing and shall be made within seven (7) Business Days of the Shareholders' Representative's receipt of a claim pursuant to the Escrow Agreement. Without limiting the generality of the foregoing provision of this power of attorney, the Shareholders' Representative shall not be liable for any failure to take any such action as a result of the Shareholder or any other shareholder(s) failing to make such advances or to provide such security.

This agency and power of attorney shall survive the dissolution, liquidation or winding up of the Shareholder, where the Shareholder is a corporation, and where the Shareholder is a natural person, this power of attorney shall survive the death or incapacity of the Shareholder.

4.4 Withholding Tax

(1) If (i) a signed declaration that the holder of an Amalco Preferred Share is not a non-resident of Canada for purposes of the Tax Act, or (ii) a certificate issued by the Minister of National Revenue pursuant to subsection 116(2) of the Tax Act in respect of the redemption by Amalco of the Amalco Preferred Shares, specifying a certificate limit in an amount which is not less than the portion of the Redemption Consideration that is otherwise payable to the holder of an Amalco Preferred Share on the Redemption Date hereunder (the "Proportionate Redemption Consideration") based on the assumption such holder will receive the maximum Escrow Amount per share is not delivered to Amalco at or before the Redemption Date, Amalco shall be entitled to withhold from any payment of a portion of the Proportionate Redemption Consideration payable on the Redemption Date, on the date which the Escrow Amount is due and payable, the amount that Amalco may be required to remit pursuant to subsection 116(5) of the Tax Act in connection with the payment of such Proportionate Redemption Consideration (the "Withheld Amount"), which amount shall be retained by Amalco.

(2) If, prior to the 25th day after the end of the month in which the Redemption Date occurs, the holder of Amalco Preferred Shares delivers to Amalco:

(a) a signed declaration that such holder is not a non-resident of Canada for the purposes of that Tax Act, Amalco shall promptly pay such shareholder the Withheld Amount,

(b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of such shares by Amalco, Amalco shall promptly pay such shareholder the lesser of (i) the Withheld Amount and (ii) the Withheld Amount less the amount, if any, by which the Proportionate Redemption Consideration exceeds the amount specified in such certificate as the certificate limit, multiplied by the percentage specified in subsection 116(5) of the Tax Act, or

(c) a certificate by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the Amalco Preferred Shares by Amalco,

Amalco shall promptly pay the Withheld Amount to the holder of such Amalco Preferred Shares immediately preceding the Redemption Date (less any applicable withholding Tax).

(3) If Amalco has withheld the Withheld Amount and the relevant Amalco shareholder does not deliver to Amalco, prior to the 25th day after the end of the month in which the Redemption Date occurs:

(a) a signed declaration that such shareholder is not a non-resident of Canada for the purposes of the Tax Act,

(b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco,

(c) a letter from the Minister of National Revenue, in a form satisfactory to Amalco, confirming to Amalco that the remittance of the Withheld Amount to the Receiver General of Canada can be delayed pending the issuance of a certificate issued under subsection 116(2) of the Tax Act; or

(d) a certificate issued by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco.

Amalco shall remit to the Receiver General of Canada the amount required to be remitted pursuant to subsection 116(5) of the Tax Act (and the amount so remitted shall be credited to Amalco as payment on account of the Proportionate Redemption Consideration) and Amalco shall pay to the relevant Amalco shareholder any remaining portion of the Withheld Amount (less any applicable withholding Tax).

4.5 Certificate and Settlement Procedures.

(2) Other than as set forth in Section 13(3) of the Amalgamation Agreement, no certificates will be issued in respect of Amalco Preferred Shares on or after the Closing Date and, in the interim, certificates representing Company Shares shall be deemed to entitle the holders thereof to: (i) that number of Amalco Preferred Shares as set out in Section 12 of the Amalgamation Agreement; (ii) the Redemption Consideration per share payable to such holder; (iii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iv) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of the Amalgamation Agreement.

(3) Subject to applicable law, Amalco shall as of the Time of Redemption redeem all of the Amalco Preferred Shares by payment to the registered holders thereof of the amounts set out herein. Subject to Section 4.4 of these share provisions, on or after the Time of Redemption, within two Business Days of the presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, Amalco shall pay or cause to be paid to the registered holders of Amalco Preferred Shares, without interest: (i) the Amalco Cash Payment payable to such holder; (ii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iii) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of the Amalgamation Agreement. From and after the Time of Redemption, the holders of Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco

shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with the provisions of the Amalco Preferred Shares, to a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of of such registered shareholders upon presentation and surrender to Amalco of the certificates representing the same, and subject to Section 4.4 of these share provisions, upon such deposit being made the Amalco Cash Payment per share deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving the Redemption Consideration in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amalco.

- (4) In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Amalco, Amalco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amalco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen, or destroyed certificate, the Person to whom such certificates representing Amalco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amalco in a manner satisfactory to Amalco, against any claim that may be made against Amalco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (5) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) of the Amalgamation Agreement on or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amalco. On such date, the Amalco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amalco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amalco shall not be liable to any Person in respect of any Amalco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amalco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amalco with a chartered bank or trust company in Canada, including any general or operational account of Amalco, and upon any such transfer the trust created pursuant to Section 4.5(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.

shall have the right at any time after the Time of Redemption to deposit the Amaleco Cash Payment payable in respect of the Amaleco Preferred Shares, or such of the Amaleco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amaleco for redemption in accordance with the provisions of the Amaleco Preferred Shares, to a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of of such registered shareholders upon presentation and surrender to Amaleco of the certificates representing the same, and subject to Section 4.4 of these share provisions, upon such deposit being made the Amaleco Cash Payment per share deposited shall be paid in respect of the Amaleco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving the Redemption Consideration in respect of the Amaleco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amaleco.

- (4) In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Amaleco, Amaleco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amaleco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen, or destroyed certificate, the Person to whom such certificates representing Amaleco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amaleco in a manner satisfactory to Amaleco, against any claim that may be made against Amaleco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (5) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) of the Amalgamation Agreement on or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amaleco. On such date, the Amaleco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amaleco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amaleco shall not be liable to any Person in respect of any Amaleco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amaleco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amaleco with a chartered bank or trust company in Canada, including any general or operational account of Amaleco, and upon any such transfer the trust created pursuant to Section 4.3(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.

9. The issue, transfer or ownership of shares is/are not restricted and the restrictions (if any) are as follows:

L'émission, le transfert ou la propriété d'actions est/n'est pas restreinte. Les restrictions, s'il y a lieu, sont les suivantes:

The transfer of shares in the capital of Corporation shall be restricted in that no share shall be transferred without either (i) the consent of the directors of the Corporation expressed by a resolution passed by the board of directors or by an instrument or instruments in writing signed by all such directors, or, (ii) the consent of the holders of shares to which are attached 100% of the voting rights attaching to all shares for the time being outstanding and entitled to vote at such time expressed by a resolution passed by such shareholders at a meeting duly called and constituted for that purpose or by an instrument or instruments in writing signed by all of such shareholders.

10. Other provisions, (if any).

Autres dispositions, s'il y a lieu:

Any invitation to the public to subscribe for any securities of the Corporation is prohibited.

11. The statements required by subsection 178(2) of the Business Corporations Act are attached as Schedule "A".

Les déclarations exigées aux termes du paragraphe 178(2) de la Loi sur les compagnies constituent l'annexe "A".

12. A copy of the amalgamation agreement or directors resolutions (as the case may be) is/are attached as Schedule "B".

Une copie de la convention de fusion ou les résolutions des administrateurs (selon le cas) constitue(nt) l'annexe "B".

These articles are signed in duplicate.

Les présents statuts sont signés en double exemplaire. 6.

Names of the amalgamating corporations and
signatures and descriptions of office of their proper
officers.

Dénomination sociale des compagnies qui
fusionnent, signature et fonction de leurs dirigeants
régulièrement désignés.

CHRYSLIS-ITS INCORPORATED

By: 

Name: DAVID L. LINTON

Title: CHIEF EXECUTIVE OFFICER

RTI ACQUISITION CORP.

By: 

Name: STANLEY W. FREEDMAN

Title: DIRECTOR

Schedule "A"

**DIRECTOR'S STATEMENT PURSUANT
TO SUBSECTION 178(2) OF THE
BUSINESS CORPORATIONS ACT (ONTARIO)**

I, Shawn D. Abbott, of the City of Calgary, in the Province of Alberta,
state that:

1. This statement is made pursuant to subsection 178(2) of the *Business Corporations Act* (Ontario) (the "Act");
2. I am a director of RTI ACQUISITION CORP., one of the amalgamating Corporations (hereinafter called the "Corporation").
3. I have conducted such examinations of the books and records of the Corporation and have made such enquiries and investigations as are necessary to enable me to make this statement;
4. There are reasonable grounds for believing that:
 - (a) the Corporation is and the amalgamated corporation will be able to pay its liabilities as they become due;
 - (b) the realizable value of the assets of the amalgamated corporation will not be less than the aggregate of its liabilities and stated capital of all classes;
 - (c) no creditor of the Corporation will be prejudiced by the amalgamation;

DATED the 5th day of September, 2003.



Shawn D. Abbott, Director
& President

AMALGAMATION AGREEMENT

THIS AMALGAMATION AGREEMENT, dated September 5, 2003, (this "Agreement") is entered into by and among Chrysalis-ITS Incorporated, a corporation incorporated under the *Business Corporations Act* (Ontario) (the "Company") and RTI Acquisition Corp., a corporation incorporated under the *Business Corporations Act* (Ontario) (the "Merger Sub").

RECITALS:

- (a) The boards of directors and the shareholders of each of Merger Sub and the Company (i) have determined that it is fair, advisable and in the best interests of Merger Sub and the Company, respectively, and their respective shareholders, to enter into a business combination whereby Merger Sub and the Company will amalgamate upon the terms and subject to the conditions set forth herein, and (ii) have approved and adopted this Agreement and the other transactions contemplated hereby in accordance with the *Business Corporations Act* (Ontario);
- (b) The shareholders of the Company have approved the Transaction by Special Resolution at a special meeting of the Company's shareholders duly called in accordance and in compliance with the provisions of the *Business Corporations Act* (Ontario), the Company's constating documents and any agreement between the Company's shareholders.
- (c) The Company was incorporated under the laws of the Province of Ontario by Certificate and Articles of Incorporation dated July 29, 1994;
- (d) Merger Sub was incorporated under the laws of the Province of Ontario by Certificate and Articles of Incorporation dated August 6, 2003;
- (e) The Company is authorized to issue (i) an unlimited number of Company Common Shares, of which 10,418,804 shares are issued and outstanding as of the date hereof, (ii) an unlimited number of Company Class A Shares, of which 5,512,047 are issued and outstanding as of the date hereof, and (iii) an unlimited number of Company Class B Shares, of which 4,364,406 shares are issued and outstanding as of the date hereof;
- (f) Merger Sub is authorized to issue an unlimited number of common shares, of which 100 Common Shares are issued and outstanding as fully paid and non-assessable as of the date hereof;
- (g) Each party has made full and complete disclosure to the other party of all their respective assets and liabilities; and
- (h) The parties hereto, acting under the authority contained in the *Business Corporations Act* (Ontario), have agreed to amalgamate and continue as one corporation on the terms hereinafter set out.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and adequacy of which are acknowledged), the parties agree as follows:

**STATEMENT OF OFFICER OF
CHRYSALIS-ITS INCORPORATED**

1. I, David Longbottom, am the Chief Executive Officer of Chrysalis-ITS Incorporated (the "Corporation"), one of the amalgamating corporations listed in the Articles of Amalgamation to which this statement is appended (the "Articles").

2. Having conducted such examinations of the books and records of the other amalgamating corporations listed in the Articles and having made such inquiries and investigations as I considered appropriate, I hereby state that there are reasonable grounds for believing that:

(a) the Corporation is and the amalgamated corporation created by the Articles (the "Amalgamated Corporation") will be able to pay its liabilities as they become due;

(b) the realizable value of the Amalgamated Corporation's assets will not be less than the aggregate of its liabilities and stated capital of all classes; and

(c) no creditor will be prejudiced by the amalgamation.

DATED the 5th day of September, 2003.

DECLARED BEFORE ME at the
City of Ottawa, in the
Province of Ontario
this 5th day of
September, 2003.


A Commissioner, etc.


David Longbottom
Chief Executive Officer

Section 4 Registered Office.

The registered office of Amalco shall be in the City of Ottawa, in the Province of Ontario. The address of the registered office of Amalco shall be One Chrysalis Way, Ottawa, Ontario, K2G 6P9.

Section 5 Business and Powers.

There shall be no restrictions on the business that Amalco may carry on or on the powers that Amalco may exercise.

Section 6 Authorized Share Capital.

Amalco shall be authorized to issue an unlimited number of common shares (the "Amalco Common Shares") and an unlimited number of redeemable preferred shares (the "Amalco Preferred Shares").

Section 7 Share Provisions.

The shares in the capital of Amalco shall have attached thereto the rights, privileges, restrictions and conditions set forth in Schedule "A".

Section 8 Share Transfer Restrictions.

The transfer of shares in the capital of Amalco shall be restricted in that no share shall be transferred without either (i) the consent of the directors of Amalco expressed by a resolution passed by the board of directors or by an instrument or instruments in writing signed by all such directors, or, (ii) the consent of the holders of shares to which are attached 100% of the voting rights attaching to all shares for the time being outstanding and entitled to vote at such time expressed by a resolution passed by such shareholders at a meeting duly called and constituted for that purpose or by an instrument or instruments in writing signed by all of such shareholders.

Section 9 Prohibition on Public Offering.

Any invitation to the public to subscribe for any securities of Amalco is prohibited.

Section 10 Number of Directors and First Directors.

- (1) The number (or minimum and maximum number) of directors of Amalco shall be a minimum of one (1) and a maximum of ten (10), until changed in accordance with the Act. Until changed by special resolution of Amalco, or if the directors of Amalco are so authorized by special resolution of Amalco, by resolution of the said directors, the directors of Amalco shall consist of 3 directors and the first directors of Amalco shall be the following:

<u>Name</u>	<u>Address for Service</u>	<u>Resident Canadian</u>
David Longbottom	128 Fourth Avenue Ottawa, ON K1S 2L4	Yes
Antonio J. Sanchez	9426 Residencia Newport Beach, California, U.S.A. 92660	No
Shawn D. Abbott	305 Pinnacle Ridge Place	Yes

Calgary, Alberta
Canada T3E 6W3

- (2) The first directors named above shall hold office until the first annual meeting of shareholders of Amalco or until their successors are elected or appointed, subject to Amalco's by-laws.

Section 11 By-laws.

The by-laws of Amalco shall be the by-laws of Merger Sub. A copy of such by-laws may be examined at One Chrysalis Way, Ottawa, Ontario K2G 6P9 at any time during regular business hours prior to the Closing Date.

Section 12 Share Cancellation.

On the Closing Date, the issued and outstanding shares in the capital of the Amalgamating Corporations shall be cancelled and converted as follows:

- (a) Each Merger Sub Share issued and outstanding on the Closing Date will be cancelled and extinguished and will be automatically converted into an Amalco Common Share on the basis of one (1) Amalco Common Share for each Merger Sub Share;
- (b) Each Company Common Share issued and outstanding on the Closing Date will be cancelled and extinguished and, except for Company Common Shares which are held by Dissenting Shareholders, will be automatically converted into an Amalco Preferred Share on the basis of 0.198488 Amalco Preferred Shares for each Company Common Share;
- (c) Each Company Class A Share issued and outstanding on the Closing Date will be cancelled and extinguished and, except for Company Class A Shares which are held by Dissenting Shareholders, will be automatically converted into an Amalco Preferred Share on the basis of 0.57982 Amalco Preferred Shares for each Company Class A Share;
- (d) Each Company Class B Share issued and outstanding on the Closing Date will be cancelled and extinguished and, except for Company Class B Shares which are held by Dissenting Shareholders, will be automatically converted into an Amalco Preferred Share on the basis of 3.10145 Amalco Preferred Shares for each Company Class B Share;
- (e) No fraction of an Amalco Preferred Share will be issued upon conversion of Company Shares pursuant to the Transaction, but in lieu thereof, each holder of Company Shares who would otherwise be entitled to a fraction of an Amalco Preferred Share (after aggregating all fractional shares of Amalco Preferred Shares to be received by such holder) shall be entitled to receive from Amalco an amount of cash (rounded to the nearest whole cent) equal to the product of (i) such fraction of an Amalco Preferred Share, multiplied by (ii) US\$1.00;
- (f) On the Closing Date, the stated capital to be added to each class of securities of Amalco shall be as follows: (i) the Canadian dollar equivalent (determined as of the Closing Date) of an amount equal to US \$1.00 multiplied by the number of Amalco Preferred Shares issued on the amalgamation, in respect of the Amalco Preferred

Shares (the "Preferred Share Amount") and (ii) the Canadian dollar equivalent (determined as of the Closing Date) of US\$20,000,000 in the aggregate, in respect of the Amalco Common Shares.

Section 13 Certificates and Settlement Procedures.

- (1) Other than as set forth in Section 13(3) of this Agreement, no certificates will be issued in respect of Amalco Preferred Shares on or after the Closing Date and, in the interim, certificates representing Company Shares shall be deemed to entitle the holders thereof to: (i) that number of Amalco Preferred Shares as set out in Section 12 of this Agreement; (ii) the Redemption Consideration per share payable to such holder; (iii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iv) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of this Agreement.
- (2) Subject to applicable law, Amalco shall as of 4:30 p.m. (Ottawa time) on the effective date of the amalgamation forming Amalco (the "Time of Redemption") redeem all of the Amalco Preferred Shares, by payment to the registered holders thereof of the amounts set out in, and in accordance with, the provisions of the Amalco Preferred Shares. Except as provided in the provisions of the Amalco Preferred Shares, no notice or other act or formality on the part of Amalco shall be required to redeem the Amalco Preferred Shares. Subject to Section 4.4 of the Amalco Share Provisions, on or after the Time of Redemption, within two Business Days of the presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, Amalco shall pay or cause to be paid to the registered holders of Amalco Preferred Shares, without interest: (i) a cash payment in Canadian dollars in an amount equal to U.S.\$1.00 (converted into Canadian dollars as of the Closing Date) per Amalco Preferred Share, less the Escrow Amount per Share (the "Amalco Cash Payment"); (ii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; (iii) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of this Agreement. From and after the Time of Redemption, the holders of Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with the provisions of the Amalco Preferred Shares, to a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of such registered shareholders upon presentation and surrender to Amalco of the certificates representing the same, and subject to Section 4.4 of the Amalco Share Provisions, upon such deposit being made the Amalco Cash Payment per share deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the Amalco Cash Payment in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them.

respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amalco.

- (3) In the event any certificate which immediately prior to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Company, Company shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Company Shares, which Company Shares shall have the rights and entitlements set forth in Section 13(1) of this Agreement. In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed and upon providing an indemnity in a form satisfactory to Amalco, Amalco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amalco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen, or destroyed certificate, the Person to whom such certificates representing Amalco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amalco in a manner satisfactory to Amalco, against any claim that may be made against Amalco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (4) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) on or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amalco. On such date, the Amalco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amalco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amalco shall not be liable to any Person in respect of any Amalco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amalco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amalco with a chartered bank or trust company in Canada, including any general or operational account of Amalco, and upon any such transfer the trust created pursuant to Section 13(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.

Section 14 Effect of Amalgamation.

Upon such amalgamation taking place:

- (a) The Amalgamating Corporations are amalgamated and continue as one Corporation under the terms and conditions prescribed in this Amalgamation Agreement;
- (b) Amalco possesses all the property, rights, privileges and franchises and is subject to all liabilities, including civil, criminal and quasi-criminal, and all contracts, disabilities and debts of each of the Amalgamating Corporations;

- (c) A conviction against, or ruling, order or judgment in favour or against an Amalgamating Corporation may be enforced by or against Amalco;
- (d) The articles of amalgamation are deemed to be the articles of incorporation of Amalco and, except for the purposes of subsection 117(1) of the Act, as may be amended from time to time, the certificate of amalgamation is deemed to be the certificate of incorporation of Amalco; and
- (e) Amalco shall be deemed to be the party plaintiff or the party defendant, as the case may be, in any civil action commenced by or against an Amalgamating Corporation before the date the amalgamation takes place.

Section 15 Termination.

At any time before the amalgamation takes place, this Amalgamation Agreement may be terminated by the directors of an Amalgamating Corporation, notwithstanding the approval of this Amalgamation Agreement by the shareholders of all or any of the Amalgamating Corporations.

Section 16 Counterparts.

This Agreement may be executed and delivered (including by facsimile transmission) in two counterparts, each of which when executed and delivered shall be deemed to be an original but all of which when taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: 

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: 

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: 

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: _____

Name:

Title:

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: _____

Name: SHAWN ABBOTT

Title: PRESIDENT

Chrysalis-ITS Incorporated

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF the parties have executed this Amalgamation Agreement.

RTI Acquisition Corp.

By: _____

Name:

Title:

~~Chrysalis-ITS Incorporated~~

By: _____

Name: DAVID LONGSTON

Title: Chief Executive Officer

SCHEDULE "A"

The following are the rights, privileges, restrictions and conditions attaching to the Common Shares and to the Amalco Preferred Shares of Rainbow-Chrysalis Inc. ("Amalco").

1. Common Shares. The Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

1.1 Voting. The holders of the Common Shares shall be entitled to receive notice of and to attend any meetings of the shareholders of Amalco and, at any meeting of the shareholders of Amalco, shall be entitled to one vote in respect of each Common Share held.

1.2 Dividends. The holders of the Common Shares shall, in the absolute discretion of the directors, be entitled to receive and Amalco shall pay out of monies of Amalco properly applicable to the payment of dividends, those dividends as may be declared from time to time in respect of the Common Shares. Notwithstanding the foregoing, no dividend shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed by Amalco.

1.3 Capital Distribution. In the event of the liquidation, dissolution or winding-up of Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding-up its affairs (whether voluntary or involuntary), upon a reduction of capital or a redemption of Amalco Preferred Shares (any of which events are referred to as a "Capital Distribution"), and after the holders of the Amalco Preferred Shares have received payment of the amounts to which they are entitled in accordance with the rights, privileges, restrictions and conditions attaching to such shares, the holders of the Common Shares shall be entitled to receive equally on a per share basis, the amount paid up on their Common Shares, together with any declared but unpaid dividends. Thereafter, the holders of the Common Shares shall be entitled to share equally among themselves on a per share basis in any further distribution of the property or assets of Amalco. Notwithstanding the foregoing, no amount referred to herein shall be paid on Common Shares until the Amalco Preferred Shares have been redeemed in full by Amalco pursuant hereto.

2. Definitions for Redemption Rights. Any terms with initial capital letters that are not defined herein shall have the meanings given to them in the business combination agreement to be dated on or about September 5, 2003 (the "Business Combination Agreement"), among Rainbow Technologies Inc. ("Parent"), RTI Acquisition Corp. ("Merger Sub"), Chrysalis-ITS Incorporated ("Chrysalis"), and Capital Alliance Ventures Inc. ("Shareholders' Representative"). Further, the following terms shall be defined as follows:

(a) "Escrow Amount per Share" means a dollar amount equal to the Escrow Amount (if any) divided by the number of Amalco Preferred Shares as of the Closing Date; and

(b) "Escrow Release Date" means the date which is 30 days after the one-year anniversary of the Closing Date.

3. Amalco Preferred Shares. The Amalco Preferred Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

3.1 Non-Voting. The holders of Amalco Preferred Shares shall not have any voting rights for the election of directors or for any other purpose and shall not be entitled to receive notice of, or to

attend any meetings of the shareholders of Amalco, except meetings at which only holders of such class of shares are entitled to vote.

3.2 Dividends. The holders of the Amalco Preferred Shares shall not be entitled to receive dividends.

3.3 Capital Distribution. In the event of a Capital Distribution, the holders of Amalco Preferred Shares shall be entitled to receive the Redemption Consideration (defined below) apportioned among them based on the number of Amalco Shares held by each such holder and the redemption rights described below before any amount shall be paid or any property or assets of Amalco shall be distributed to the holders of the Common Shares. On payment of the amount so payable to them, the holders of the Amalco Preferred Shares shall not be entitled to share in any further distribution of the property or assets of Amalco.

3.4 Amalco Preferred Share Redemption Rights. Subject to Section 4.5 and Section 4.4, as of 4:30 p.m. (Ottawa time) on the effective date of the amalgamation (the "Redemption Date") forming Amalco (the "Time of Redemption"), Amalco shall redeem and cancel as of the Redemption Date all Amalco Preferred Shares then issued and outstanding for the following aggregate redemption consideration (the "Redemption Consideration"):

- (a) a cash payment in Canadian dollars in an amount equal to U.S.\$1.00 (converted into Canadian dollars as of the Closing Date) per Amalco Preferred Share, less the Escrow Amount per Share ("Amalco Cash Payment"); and
- (b) the right to receive a payment from the Escrow Fund, as set forth in paragraph 3.5(b) below.

Except as herein provided, no notice or other act or formality on the part of Amalco shall be required to redeem the Amalco Preferred Shares.

3.5 Payment of Redemption Consideration. Amalco shall pay the Redemption Consideration (less any tax required to be withheld by the Corporation as more fully described in paragraph 4.4 below) for the Amalco Preferred Shares being redeemed as follows:

- (a) on presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, by the delivery within two Business Days of such presentation and surrender of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares of an amount equal to the Amalco Cash Payment multiplied by the number of Amalco Preferred Shares held by each holder of Amalco Preferred Shares; and
- (b) on the Escrow Release Date Amalco shall, through the Escrow Agent, pay to the holders of Amalco Preferred Shares a portion of the Escrow Amount (if any) per Share then held by the Escrow Agent as of the Escrow Release Date (if any) by the delivery of cheques, bank drafts or wire transfers to or to the order of the holders of such Amalco Preferred Shares, to be shared among such holders pro rata as determined as of the Closing by reference to the total amount of Redemption Consideration to which each holder is entitled as compared to the total amount of Redemption Consideration to which all holders are entitled.

4. Amendments to Business Combination Agreement. The references herein to the provisions of the Business Combination Agreement are to the provisions of the Business Combination Agreement in the form to be executed by the parties thereto without regard to any amendments to such agreement which may be made subsequent to the execution thereof by the parties. No amendment or other change to the Business Combination Agreement which have the affect of amending, altering or otherwise modifying the provisions of such agreement referred to herein shall be effective in respect of rights of the holders of the Amalco Preferred Shares as set forth above unless such amendments or other changes are approved by a resolution passed by a special majority of two thirds of the votes cast at a meeting of the holders of the Amalco Preferred Shares. At any such meeting, all the provisions of the articles of Amalco relating in any manner to general meetings or to the proceedings thereat, or to the rights of shareholders at or in connection therewith, shall apply *mutatis mutandis*. Notwithstanding the foregoing, the provisions of the Business Combination Agreement and these rights, restrictions, conditions and privileges effecting the calculation of Redemption Consideration shall only be modified by (i) the agreement of all parties to the Business Combination Agreement, and (ii) by a special resolution approved by at least 2/3 of the votes cast in respect of such special resolution by the former holders of Amalco Preferred Shares issued by Amalco upon the completion of the amalgamation of the Amalgamating Corporations.

4.1 Rights. From and after the Time of Redemption, the holders of the Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with these provisions, to a special account in any chartered bank or any trust company in Canada to be paid without interest to or to the order of the respective holders of such Amalco Preferred Shares upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made the Amalco Cash Payment deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving without interest their proportionate part of the Amalco Cash Payment in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. Any interest earned on such deposit or deposits shall belong to Amalco.

4.2 Restriction on Redemption Rights. Without limiting in any way the obligations of Amalco or any of its affiliates under the Business Combination Agreement, nothing herein shall be deemed to permit or oblige Amalco to redeem or repurchase the Amalco Preferred Shares, if the redemption or repurchase would contravene any applicable statute, regulation or rule of law or equity.

4.3 Condition to Receipt of Escrow Amount and Appointment of Shareholders' Representative. Holders of Amalco Preferred Shares (each a "Shareholder") shall only be entitled to rights in the Escrow Fund as determined pursuant to the terms of an escrow agreement to be entered into between the Amalco, the Shareholders' Representative and the Escrow Agent (the "Escrow Agreement") and pursuant to the terms of the Business Combination Agreement. In order to give effect to the foregoing share condition, Capital Alliance Ventures Inc. is hereby appointed without any further action or requirement on the part of the shareholders as agent and true and lawful attorney for the holders of Amalco Preferred Shares (the "Shareholders' Representative") with full authority solely to execute and deliver the Escrow Agreement, to give and receive notices and communications thereunder, to authorize the disbursement of funds to Amalco from the Escrow Fund in satisfaction of claims by Parent or Amalco, to object to such disbursements, to agree to, negotiate and enter into settlements and compromises of, comply with orders of courts and awards of

arbitrators with respect to such claims, to incur and be reimbursed for any reasonable expenses incurred by the Shareholders' Representative in connection with the performance of its duties thereunder, which amounts shall be payable from the Escrow Fund (but only after any distributions therefrom to Amalco), reserve from any Escrow Funds to be released to the former holders Amalco Preferred Shares at the time of termination of the Escrow Agreement (if any) a reasonable estimate of the expenses necessary to resolve any amounts that are the subject of or could become the subject of a dispute, and to take all commercially reasonable actions necessary or appropriate in the judgment of the Shareholders' Representative for the accomplishment of the foregoing. All payments of any portion of the Escrow Amount shall be made in United States dollars and the Person receiving such payment shall bear the risk of any fluctuation in the exchange rate of the United States dollar against the Canadian dollar during the period from the Closing Date to the date of such payment.

Such condition of the Amalco Preferred Shares, and the agency and power of attorney created solely to give effect to such share condition, may not be changed without the prior written consent of Amalco, *provided, however*, that the Shareholders' Representative may be removed if holders of a two-thirds interest in the Escrow Fund agree to such removal and to the appointment of a substituted Shareholders' Representative. Any vacancy in the position of Shareholders' Representative, including further to the resignation of the Shareholders' Representative, may be filled by approval of the holders of a majority in interest of the Escrow Fund.

Notices or communications in respect of the Escrow Fund to or from the Shareholders' Representative shall constitute notice to or from the Shareholders.

The Shareholders' Representative shall not be liable for any act done or omitted to be done in performing its duties as agent, fiduciary, and attorney for the Shareholders while acting in good faith and in the exercise of commercially reasonable judgment.

A decision, act, consent or instruction of the Shareholders' Representative shall constitute a decision of each of the Shareholders and shall be final, binding and conclusive upon each such Shareholder, and the Escrow Agent, Parent and Amalco may rely upon any such decision, act, consent or instruction of the Shareholders' Representative as being the decision, act, consent or instruction of the Shareholders.

The Escrow Agent, Amalco and Parent are hereby relieved from any liability to any person for any acts done by them in good faith in accordance with such decision, act, consent or instruction of the Shareholders' Representative.

Each Shareholder shall, severally and not jointly, on a pro rata basis based on its proportionate ownership interests of the Escrow Fund, reimburse the Shareholders' Representative for any expense that may be incurred by the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct, including the reasonable legal costs and expenses associated with disputing any claim made by Parent or its affiliates pursuant to the provisions of the Escrow Agreement. In addition, the Shareholder shall not directly or indirectly make any claim against the Shareholders' Representative arising out of or in connection with the acceptance or administration of the Shareholders' Representative's duties, except as caused by the Shareholders' Representative's gross negligence or wilful misconduct. Notwithstanding any other provision of the foregoing or the Escrow Agreement, the Shareholder hereby acknowledges and agrees that the Shareholders' Representative shall be permitted to demand sufficient advance or security from the Shareholder (but not in an amount greater than the

Shareholder's proportionate amount of the Escrow Fund) for estimated expenses, if any, associated with taking any action to dispute any claim made by Amalco against the Escrow Fund held by the Escrow Agent pursuant to the terms of the Escrow Agreement. Such advance or security demands shall be in writing and shall be made within seven (7) Business Days of the Shareholders' Representative's receipt of a claim pursuant to the Escrow Agreement. Without limiting the generality of the foregoing provision of this power of attorney, the Shareholders' Representative shall not be liable for any failure to take any such action as a result of the Shareholder or any other shareholder(s) failing to make such advances or to provide such security.

This agency and power of attorney shall survive the dissolution, liquidation or winding up of the Shareholder, where the Shareholder is a corporation, and where the Shareholder is a natural person, this power of attorney shall survive the death or incapacity of the Shareholder.

4.4 Withholding Tax

- (1) If (i) a signed declaration that the holder of an Amalco Preferred Share is not a non-resident of Canada for purposes of the Tax Act, or (ii) a certificate issued by the Minister of National Revenue pursuant to subsection 116(2) of the Tax Act in respect of the redemption by Amalco of the Amalco Preferred Shares, specifying a certificate limit in an amount which is not less than the portion of the Redemption Consideration that is otherwise payable to the holder of an Amalco Preferred Share on the Redemption Date hereunder (the "Proportionate Redemption Consideration") based on the assumption such holder will receive the maximum Escrow Amount per share is not delivered to Amalco at or before the Redemption Date, Amalco shall be entitled to withhold from any payment of a portion of the Proportionate Redemption Consideration payable on the Redemption Date, on the date which the Escrow Amount is due and payable, the amount that Amalco may be required to remit pursuant to subsection 116(5) of the Tax Act in connection with the payment of such Proportionate Redemption Consideration (the "Withheld Amount"), which amount shall be retained by Amalco.
- (2) If, prior to the 25th day after the end of the month in which the Redemption Date occurs, the holder of Amalco Preferred Shares delivers to Amalco:
 - (a) a signed declaration that such holder is not a non-resident of Canada for the purposes of that Tax Act, Amalco shall promptly pay such shareholder the Withheld Amount,
 - (b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of such shares by Amalco, Amalco shall promptly pay such shareholder the lesser of (i) the Withheld Amount and (ii) the Withheld Amount less the amount, if any, by which the Proportionate Redemption Consideration exceeds the amount specified in such certificate as the certificate limit, multiplied by the percentage specified in subsection 116(5) of the Tax Act, or
 - (c) a certificate by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the Amalco Preferred Shares by Amalco,

Amalco shall promptly pay the Withheld Amount to the holder of such Amalco

Preferred Shares immediately preceding the Redemption Date (less any applicable withholding Tax).

- (3) If Amalco has withheld the Withheld Amount and the relevant Amalco shareholder does not deliver to Amalco, prior to the 25th day after the end of the month in which the Redemption Date occurs:

(a) a signed declaration that such shareholder is not a non-resident of Canada for the purposes of the Tax Act,

(b) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco,

(c) a letter from the Minister of National Revenue, in a form satisfactory to Amalco, confirming to Amalco that the remittance of the Withheld Amount to the Receiver General of Canada can be delayed pending the issuance of a certificate issued under subsection 116(2) of the Tax Act; or

(d) a certificate issued by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the redemption of the relevant Amalco shares by Amalco,

Amalco shall remit to the Receiver General of Canada the amount required to be remitted pursuant to subsection 116(5) of the Tax Act (and the amount so remitted shall be credited to Amalco as payment on account of the Proportionate Redemption Consideration) and Amalco shall pay to the relevant Amalco shareholder any remaining portion of the Withheld Amount (less any applicable withholding Tax).

4.5 Certificate and Settlement Procedures.

- (1) Other than as set forth in Section 13(3) of the Amalgamation Agreement, no certificates will be issued in respect of Amalco Preferred Shares on or after the Closing Date and, in the interim, certificates representing Company Shares shall be deemed to entitle the holders thereof to: (i) that number of Amalco Preferred Shares as set out in Section 12 of the Amalgamation Agreement; (ii) the Redemption Consideration per share payable to such holder; (iii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco Preferred Shares; and (iv) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of the Amalgamation Agreement.
- (2) Subject to applicable law, Amalco shall as of the Time of Redemption redeem all of the Amalco Preferred Shares by payment to the registered holders thereof of the amounts set out herein. Subject to Section 4.4 of these share provisions, on or after the Time of Redemption, within two Business Days of the presentation and surrender of the certificates representing Company Shares which were converted into Amalco Preferred Shares on the formation of Amalco by way of amalgamation, Amalco shall pay or cause to be paid to the registered holders of Amalco Preferred Shares, without interest: (i) the Amalco Cash Payment payable to such holder; (ii) any dividends or other distributions (including any portion of the Redemption Consideration) declared or made after the Closing Date with respect to Amalco

Preferred Shares; and (iii) any entitlements of the holder thereof to cash in lieu of any fractional Amalco Preferred Shares, pursuant to Section 12(e) of the Amalgamation Agreement. From and after the Time of Redemption, the holders of Amalco Preferred Shares shall not be entitled to exercise any of the rights of shareholders in respect thereof. Amalco shall have the right at any time after the Time of Redemption to deposit the Amalco Cash Payment payable in respect of the Amalco Preferred Shares, or such of the Amalco Preferred Shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof to Amalco for redemption in accordance with the provisions of the Amalco Preferred Shares, in a segregated account (the "Segregated Account") in any chartered bank or any trust company in Canada, in trust for the benefit of the registered shareholders of the Company as at the Closing Date, to be paid without interest to or to the order of such registered shareholders upon presentation and surrender to Amalco of the certificates representing the same, and subject to Section 4.4 of these share provisions, upon such deposit being made the Amalco Cash Payment per share deposited shall be paid in respect of the Amalco Preferred Shares so deposited and the rights of the holders thereof after such deposit shall be limited to receiving the Redemption Consideration in respect of the Amalco Preferred Shares so deposited against presentation and surrender of the said certificates held by them respectively. The Segregated Account may be an interest bearing account and any interest earned on the amounts deposited in the Segregated Account shall belong to Amalco.

- (3) In the event any certificate which after to the Closing Date represented one or more outstanding Company Shares shall have been lost, stolen or destroyed, upon making an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, and upon providing an indemnity in a form satisfactory to Amalco, Amalco shall issue in exchange for such certificate lost, stolen or destroyed certificate, one or more certificates representing one or more of the applicable Amalco Preferred Shares. When authorizing any dividend or distribution in respect of such exchanged lost, stolen or destroyed certificate, the Person to whom such certificates representing Amalco Preferred Shares are to be issued shall, as condition precedent to the issuance thereof, indemnify Amalco in a manner satisfactory to Amalco, against any claim that may be made against Amalco, with respect to the certificate alleged to have been lost, stolen, or destroyed.
- (4) Any certificate which immediately prior to the Closing Date represented outstanding Company Shares (other than Company Shares held by Dissenting Shareholders) that is not deposited with all other instruments required by Section 13(2) of the Amalgamation Agreement or prior to the date that is the first anniversary of the Closing Date shall cease to represent a claim or interest of any kind or nature as a shareholder of Amalco. On such date, the Amalco shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered for no consideration to Amalco, together with all entitlements to dividends, distributions and interest in respect thereof held for such former holder. Amalco shall not be liable to any Person in respect of any Amalco Preferred Shares (or dividends, distributions and interest in respect thereof) delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. At any time after the date that is the first anniversary of the Closing Date, Amalco may transfer any amounts in the Segregated Account (including any interest) to any other account of Amalco with a chartered bank or trust company in Canada, including any general or operational account of Amalco, and upon any such transfer the trust created pursuant to Section 4.5(2) for the benefit of the registered shareholders of the Company as at the Closing Date shall cease and terminate.

6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the Business Corporations Act.
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la Loi sur les sociétés par actions.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on:
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le:

2004/03/22


(Year, Month, Day)
(année, mois, jour)

These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.

Rainbow-Chrysalis Inc.

(Name of Corporation) (if the name is to be changed by these articles set out others here)
(Dénomination sociale de la société) (si l'on demande un changement de nom, indiquer ci-dessus la dénomination sociale actuelle).

By:
Par:



(Signature)
(Signature)

SECRETARY

(Description of Office)
(Fonction)

07119 (03/2003)
CSG 04/2003

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